

**FRANCHISE TAX BOARD
MINUTES
MAY 2, 2001**

The Franchise Tax Board met in open session at 2:00 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Kathleen Connell, Hon. Claude Parrish, and Annette Porini representing Hon. B. Timothy Gage.

Franchise Tax Board

Staff Participating:

Gerald H. Goldberg, Brian W. Toman, Tommy Leung, Richard Gould, Mike Brownell, Titus Toyama, Brian Putler, Patrick Kusiak, Cher Woehl, Candy Sheehan, Claudette Romo, and Katie Horn.

Others Participating:

Chris Micheli from Carpenter Snodgrass; Greg Turner and Dave Doerr from the California Taxpayers' Association; Roy E. Crawford from Brobeck, Phleger & Harrison; Jeffrey M. Vesely from Pillsbury, Winthrop; Martin Helmke, from the California Senate Revenue and Taxation Committee; Dick Turner and Dick Martland, from Neilsen, Merksamer; R. Lee Wirthlin, representing Pacific Life; Rick Hanson from McDermott, Will & Emery; and Don Ball, representing IKEA.

Item 1. – Approval of Board Minutes

The minutes of the December 18, 2000, Franchise Tax Board meeting were unanimously approved.

Item 2. – Legislative Matters

The following position for bills were approved 2-0 (Ms. Porini abstaining):

<u>Legislative Bill</u>	<u>Board Position</u>	<u>Legislative Bill</u>	<u>Board Position</u>
AB 17	Neutral	AB 350	Support
AB 26	Support	AB 373	Neutral
AB 39	Support	AB 377	Neutral
AB 46	Neutral	AB 462	Neutral
AB 63	Support	AB 475	Neutral
AB 64	Support	AB 595	Neutral
AB 91	Support	AB 866	Neutral
AB 94	Neutral	AB 998	Support
AB 110	Support	AB 1114	Neutral
AB 116	Support	AB 1124	Neutral
AB 149	Support	AB 1169	Neutral
AB 228	Support	AB 1222	Neutral
AB 246	Support	AB 1250	Neutral
AB 290	Neutral	AB 1275	Neutral
AB 294	Neutral	ABX 85	Neutral
AB 339	Support	AB 1276	Neutral

ABX 96	Neutral	SB 607	Support
ABX 4	Support	SB 677	Neutral
ABX 15	Neutral	SB 698	Neutral
ABX 79	Neutral	SB 718	Neutral
SB 44	Support	SB 719	Support
SB 48	Support	SB 782	Support
SB 49	Support	SB 831	Support if amended
SB 77	Support	SB 853	Support
SB 121	Support	SB 854	Support
SB 155	Neutral	SB 875	Neutral
SB 215	Support	SB 877	Support
SB 218	Neutral	SB 914	Neutral
SB 268	Neutral	SB 957	Neutral
SB 365	Neutral	SB 1082	Support
SB 394	Support	SB 1163	Neutral
SB 430	Neutral	SB 1165	Support
SB 435	Neutral	SBX 16	Neutral
SB 445	Neutral		
SB 559	Neutral		

The Board withheld taking a position on SB 415, SB 547 and SBX 49.

Item 3. - Regulation Matters

a. Discussion Draft Proposed Regulation 19032 (Audit Procedures)

The Board received a report on the status of the regulation project.

b. Possible regulatory action regarding protests.

The Board deferred action on this item.

c. Proposed Amendment to Regulation 17951-4 (Sourcing of Income from a Business, Trade, or Profession) and Proposed Regulation 17951-6 (Income from a Covenant Not to Compete)

The Board voted unanimously to proceed with the 15-day notice.

d. Draft Regulations 17053-36 and 23636 (Joint Strike Fighter Wage Credit) and Regulations 17053-37 and 23637 (Joint Strike Fighter Property Credit)

The Board voted unanimously to proceed with a partial symposium.

e. Proposed amendments to Regulation 17000.30 (Conflict of Interest Code)

The Board voted unanimously to proceed with this regulation.

Item 4. – Proposed FTB Notice Regarding Ceridian v. FTB

The Board voted unanimously to approve a motion to defer this matter pending input from industry.

The Board heard from the following persons on this item:

Greg Turner	California Taxpayers' Association
Martin Helmke	California Senate Revenue and Taxation Committee
Dick Turner, Dick Martland	Neilsen, Merksamer
R. Lee Wirthlin	Pacific Life

Item 5. – Revenue and Taxation Code Section 25137 Petitions

- a. IKEA

The Board voted unanimously to deny the Petition.

Item 6. – Applications for Voluntary Disclosure

The Board unanimously approved the anonymous Applications for Voluntary Disclosure pursuant to Revenue and Taxation Code section 19191.

Item 7. – Child Support

The Board received an update on the Child Support Program and voted unanimously to receive updates later in the year.

Item 8. – Administrative Matters

- a. Fiscal Year 2001/02 Budget – Summary of major changes and Legislative Analyst's recommendations.

The Board voted 2-0 (Ms. Porini abstaining) to approve the increase in Budget Funds.

- b. May Revise Issues

The Board 2-0 (Ms. Porini abstaining) to approved letters previously submitted to the Department of Finance.

Item 9. – Executive Officer's Time

Mr. Goldberg introduced Claudette Romo, the new Board Secretary and announced that Katie Horn had moved on to the Child Support Project.

Item 10. – Board Members' Time

The Board unanimously approved all Employee Recognition Resolutions.

(Susumu Arase, Barbara J. Baca, Ted S. Boydston, Carolyn A. Brown, Roberta L. Coon, Jeanne K. Doerr, Rosemarie M. Dreesmann, Ronald D. Duncan, Sandra L. Fox, James H. Giroud, Velma L. Haworth, Lauri A. Hill, Sandra D. Hughes, Judy A. Jerd, G. Deanne Johnson, Shirley B. Kagel, William K. Linn, Marjorie E. Lunderville, Alphonso R. Martinez, Heather J. Mauck, Judy M. McConnell, Lettie D. McEntire, Darlene E. Mitchell, Patricia D. Mitts, Sharon M. Patrician, Fred W. Petrich, Lorraine F. Radke, Rita M. Richardson, Donna J. Ripley, Elsa Ruiz, Patricia M. Saffold, William R. Schmitt, Susan A. Seaton, Theresa G. Seebode, Leonard G. Seeley, Michael E. Shelton, Jeannette Shick-Tucker, Carl T. Smith, William S. Tsang, Sherri A. Villines, Patricia L. Wheeler, Jean M. Williams.)

Item 11. – Chair announcement Regarding Closed Session

Chair Connell announced the agenda for the Closed session pursuant to Government Code section 11126.3.

The meeting adjourned at 4:00 p.m.

Board Secretary

Date